

Organisation of accounting and legality of transactions in the area of government of the Ministry of Internal Affairs in 2004

Audit report No. OSII-2-6/05/112 of August 26 2005

Summary

The SAO audited the organisation of accounting and legality of transactions in the area of government of the Ministry of Internal Affairs in 2004. The objective of the audit was to evaluate the work of internal auditors in auditing the annual report, and the organisation of accounting in the Ministry of Internal Affairs and the agencies in its area of government, as well as the legality of economic transactions carried out in 2004. In addition to evaluating the work of internal auditors and the general organisation of accounting, the riskier areas of were audited in the bigger agencies (Ministry of Internal Affairs, Police Board, Rescue Board, Border Guard Administration, Citizenship and Migration Board and Estonian Public Service Academy) in the area of government of the Ministry of Internal Affairs, which were not covered by the internal auditors. In this report, the main observations of the SAO audits "Organisation of accounting and economic activities of Estonian Border Guard Aviation Group in 2004" and "Organisation of accounting and economic activities of Central Criminal Police in 2004" are also reflected.

As a result of the audit, main observations about the work of internal auditors, organisation of accounting, legality of transactions, internal audit system and financial management have been pointed out.

Arising from the amendments to the State Budget Act, the person responsible for the internal audit of the Ministry of Internal Affairs has to evaluate the annual report and legality of transactions of the area of government of the Ministry of Internal Affairs in 2004. The SAO has to evaluate the consolidated annual report of the state and legality of transactions in 2004. In the course of the audit of the annual report of the state, the SAO can rely on the evaluation of the person responsible for the state accounting entity's internal audit of the Ministry of Internal Affairs on the authenticity of state accounting entity's annual report and legality of transactions.

Main observations

Organisation of accounting and internal audit system

The organisation of accounting in the area of government of the Ministry of Internal Affairs in the scope that was covered by the SAO audits, is generally in compliance with the general rules of state accountancy and good practice of accounting. In the areas related to the recording of the revenue from fines and accounting of fixed assets, the accounting is not always sufficient. The Ministry of Internal Affairs has approved the accounting policies and procedures and rising from that, the agencies in the area of government have established separate accounting policies and procedures based on their own speciality.

Legality of economic transactions and financial management

In the legality of transactions the SAO identified some weaknesses in the compliance with Public Procurement Act, also, the statutes of Estonian Border Guard Aviation Group need to be supplemented. In the financial management the SAO identified weaknesses in unreasonable advance payments, also the legal problems with confiscated assets the preservation of which causes unnecessary expenditure to the state, remain unsolved.

Relying on the work of the internal auditors

As a result of the audit the SAO is of the opinion that, when evaluating the consolidated annual report of the state, it can not rely on the evaluation of the person responsible for the internal audit, because by the time of the SAO audit the work of the internal auditors had been recorded only partially and because of that we did not have the opportunity to evaluate the audit as a whole and performed audit procedures, which served as a basis for the evaluation of the person responsible for the internal audit.

In the opinion of the SAO, the work of the internal auditors of the Ministry of Internal Affairs was not in compliance with the guidelines of Financial Audit Manual of the Ministry of Finance. The SAO made the following observations about the work of the internal auditors

- Recording of the information received in the course of the internal auditors' audit of the area of government of the Ministry of Internal Affairs was insufficient.
- The SAO and the Ministry of Internal Affairs remained on different opinions about the recognition of fees collected by the area of government of the Police Board, where the SAO, unlike the internal auditors of the Ministry of Internal Affairs, found that the recognised claims for fees can not be evaluated.

Main suggestions to the Minister of Internal Affairs

- Ensure the accrual method of accounting in the entire area of government in relation to all revenue and claims related to fees and procedure expenses.
- Ensure the adjustment of the POLIS software used in the area of government of the Police Board so reports and print-outs necessary for accounting could be retrieved from POLIS.
- Find out the amount of confiscated assets in the area of government, that has been confiscated under misdemeanour or criminal procedure, and which is the legal status of the said assets, and take measures to solve the legal problems related to the confiscated assets, so that the assets could be transferred.
- Supplement the internal audit system and accounting in the area of government in such a way that, when acquiring goods and services that exceed the limits laid down in Public Procurement Act, the compliance with Public Procurement Act would be ensured.
- Evaluate the income probability of the claim against the public limited company Reginvest and, if necessary, record the claim in the accounts as uncollectible.

In a reply, the Minister of Internal Affairs partially concurs with the made suggestions. At the same time, he has drawn attention to some ambiguous parts in the text of the report. We have specified the wordings of our evaluations of the work of the internal auditors and the accounting of fixed assets. Other observations were commented on in the main text of the report. The full text of the Minister's reply has been appended to the audit report

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